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PHILIPPINES

CONFLICT RESOLUTION IN MINDANAO

THE MICROENTERPRISE ACCESS TO BANKING SERVICES (MABS) PROGRAM

OBJECTIVES

- Assist participating banks (PBs) to increase the financial services they provide to the microenterprise sector
- Provide technical assistance and training to PBs to profitably and sustainably expand their microfinance (MF) services to microenterprises
- Encourage transfer of proven Filipino and international MF practices and technologies
- Ensure that PBs make microenterprise loan and deposit services a regular part of their portfolios

TARGETS AND ACHIEVEMENTS

Current achievements and expected results of the MABS Program include:

- Increasing the number of MABS Participating Bank units from _____ to 350 bank and bank branches.
- Total number of microborrowers served by MABS participant Banks to increase from _____ to at least 500,000.
- Total number of new microdepositors served by MABS PBs to increase from _____ to 400,000.
- MABS is now also training and providing technical support to thrift banks.
- MABS has developed and is pilot testing a new micro agri-loan product. If the product is viable, it will be disseminated to and offered by at least 5—100 Participating Bank branches.

BACKGROUND/HISTORY

The latest data (2000) from the National Statistics Office (NSO) show that microenterprises comprise 91% of the total number of businesses in operation in the Philippines and are the primary sources of livelihood of 41% of Filipino households. In addition, these microenterprises provide employment to about 37% of the country's total workforce, making the sector key to economic development. Most of these microenterprises, however, cannot take the next step towards business expansion because of lack of access to additional capital. Financial institutions generally view lending to microentrepreneurs as unprofitable and risky – with the projected interest income barely enough to cover the costs of lending small, uncollateralized loans. Frequently, the remaining option for these microentrepreneurs is to borrow from informal moneylenders at interest rates that do not allow them to have savings or reinvest in their enterprise. As a result, they continue to operate informally and in small scale. Providing this sector with greater access to microfinance services – small loans, savings products, insurance, and remittance services – is clearly an ideal intervention in accelerating economic growth.



To address this need, the **Microenterprise Access to Banking Services (MABS) Program** was launched in 1997. The Program - which is jointly implemented by the USAID and the Rural Bankers Association of the Philippines (RBAP), with oversight provided by the Office of the President through the **Mindanao Economic Development Council (MEDCo)** - assists privately owned Rural Banks to develop the capability to profitably provide financial services – both loans and deposit services – to the microenterprise sector.



MABS opted to tap the extensive network of Philippine rural banks because several factors make Rural Banks ideal vehicles for reaching the microenterprise sector. Rural Banks have excellent geographic coverage (more than 2,000 banking units covering 85% of all municipalities in the Philippines) and, are therefore, geographically and culturally close to the target market. Rural banks' cost and overhead structures also allow them to provide microfinance services at a profit.



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PROGRAMS/SERVICES

- **Providing MABS Approach Training and Technical Services (MATTS) to Rural Banks**

MATTS is a systematic, step-by-step, training and technical assistance package followed by rural banks as they develop the full capability to profitably offer loan and deposit services to microenterprises and then successfully provide those services. Two licensed MABS Service providers (MSPs) – Associated Resources for Management and Development (ARMDEV) and Punla sa Tao Foundation – are providing the MATTS package to interested rural banks.

- **Bank Strengthening and Outreach**

To accelerate the expansion of microfinance services, MABS continuously monitors and reviews the practices and operations of PBs and makes the appropriate recommendations and modifications. MABS also provides special technical services to PBs with extensive networks and has expanded services to thrift banks.

- **Full Development of Anti-Backsliding and MF Promotion Institutions**

Over the last seven years, MABS has developed and implemented measures to maintain adherence to MF best practices and prevent backsliding. Refresher courses, forums, roundtable discussions where MF practitioners share practitioner experiences are held regularly.

Several MF promotion institutions have also been established: MSPs – private firms trained and licensed to rollout MATTS, learning centers – model PBs that serve as visitor centers for interested rural banks, and the MABS Technical Resource Specialists (MABSTeRS) – MFU officers of PBs trained to deliver MF refresher courses. MABS is also working with the Bankers Association of the Philippines Credit Bureau to provide more rural banks with access to the Negative File Information System.

- **Development of Bank Management Software and Peripheral Banking Technologies**

MABS supported the development of Rural Banker 2000 (RB2000), a banking software designed to strengthen the management information systems (MIS), data collection, and reporting capabilities of rural banks. RB2000 is compliant with the Bangko Sentral ng Pilipinas (BSP) reporting format.

To improve efficiency, cut costs, and maximize the features of its main technologies, MABS developed peripheral technologies such as the Personal Digital Assistant (PDA)-based loan collection system and the PDA-based CIBI (credit and background investigation) system. MABS is also working with Globe Telecom in pilot testing RBAP Text-A-Payment, a facility that allows microloan clients to pay microloan amortization through short messaging services (SMS) using G-Cash, Globe's electronic money service.

- **Development of Rural Finance Loan Products**

MABS has developed the micro agri-loan product for small farmers and owners of small agriculture-based enterprises access, a previously un-served segment of the microenterprise segment.